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February 10, 2012

VIA ELECTRONIC FILING

Ms. Renee Jenkins
Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

Re: In the Matter of the Commission's Investigation into Intrastate Carrier Access Reform Pursuant to S.B. 162
PUCO Case No. 10-2387-TP-COI

Dear Ms. Jenkins:

On behalf of the United Telephone Company of Ohio d/b/a CenturyLink and CenturyTel of Ohio, Inc. d/b/a CenturyLink (collectively "CenturyLink") please find its Additional Supplemental Comments in the above-captioned matter.

Copies have been served on all known parties as evidenced by the Certificate of Service. Please enter this document into the case file. If you have any questions, please feel free to contact me at 717-245-6346 or Tom Dethlefs at 303-992-5791.

Sincerely,

Zsuzsanna E. Benedek

ZEB/jrh
enclosures
cc: All Parties on the Attached Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Pleading was served by electronic mail, on this 10th day February 2012.

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's Investigation into Intrastate Carrier Access Reform Pursuant to Sub. S.B.162	)))	Case No. 10-2387-RTP-COI

INITIAL COMMENTS OF UNITED TELEPHONE COMPANY OF OHIO D/B/A CENTURYLINK AND CENTURYTEL OF OHIO, INC. D/B/A CENTURYLINK CONCERNING IMPACT OF FCC'S USF/ICC TRANSFORMATION ORDER

Pursuant to the Commission's Entry Order dated January 18, 2012 in the above-captioned docket, the United Telephone Company of Ohio d/b/a CenturyLink and CenturyTel of Ohio, Inc. d/b/a CenturyLink (collectively "CenturyLink") hereby submit additional supplemental comments on the impact to this proceeding of the Federal Communication Commission ("FCC") *USF/ICC Transformation Order*. In summary, CenturyLink supports temperate action by the Public Utilities Commission of Ohio ("PUCO") and endorses eventually moving forward in this docket after the FCC has substantially reviewed all issues regarding intercarrier compensation reform in a manner that best enables PUCO to harmonize its determinations with activity occurring at the federal level. The ultimate goal of a harmonized approach to intercarrier compensation reform in Ohio must be to ensure that all Ohio consumers ultimately benefit and that – through implementation of a state access recovery fund, or ARF, and maintenance of reasonable local rate levels – that the negative consequences to Ohio consumers are avoided.

I. BACKGROUND

In November 2010, the Staff of the PUCO issued its proposed Access Restructuring Plan ("Staff Plan"), in compliance with Sub S.B. 162, and requested interested parties to provide comments to the proposed Staff Plan. The Staff Plan was the only proposed plan submitted in this docket that truly attempted to achieve comprehensive reform compliant with Ohio's statutory mandate for revenue neutrality in conjunction with rational regulatory reform that includes moderate and gradual end-user rate increases. Staff's proposal to create an Access Recovery Fund ("ARF") is a key component of the reasonableness of the Staff Plan. An explicit fund, such as the Staff-proposed ARF, is critical to accomplishing comprehensive access reform.

On November 18, 2011, the FCC released the *USF/ICC Transformation Order*.[1] In that *Order*, the FCC brought the existing interstate and intrastate access charge regime under Section 251(b)(5) of the Telecommunications Act of 1996 and made significant, but not yet complete, changes to the existing intercarrier compensation process for all carriers. The FCC adopted a uniform, national bill-and-keep framework as the ultimate end result for all telecommunications traffic exchanged with a LEC. Under this framework, carriers will look first to their subscribers to cover the costs of the network, and then to explicit universal service support where necessary.[2]

The *USF/ICC Transformation Order* focuses its initial reforms on reducing terminating intrastate switched access rates and reciprocal compensation rates that exceed interstate access rate levels. The *USF/ICC Transformation Order* reduces terminating access charges and reciprocal compensation rates to bill-and-keep over a phase-in period to allow consumers and carriers to react to the *USF/ICC Transformation Order's* changes. The one exception to this gradual, phase-in rate reduction is that the FCC established bill-and-keep as the intercarrier compensation mechanism for IntraMTA traffic exchanged between a LEC and CMRS carriers

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[1] Report and Order and Further Notice of Proposed Rulemaking, *In the Matter of Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High Cost Universal Service Support; Developing an Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*, 2011 FCC LEXIS 4859 (Rel., November 18, 2011)(the "*USF/ICC Transformation Order*" or "*Order*").

[2] Id., at ¶34.

starting on July 1, 2012. This will be a significant and unanticipated revenue reduction for CenturyLink in Ohio. The *USF/ICC Transformation Order* requires carriers to cap most intercarrier compensate rates as of its effective date of December 29, 2011. For price cap carriers, all intrastate rates and reciprocal compensation rates are capped and for rate of return carriers all terminating intrastate access rates are capped.

To reduce the disparity between intrastate and interstate terminating switched access rates, the *USF/ICC Transformation Order* requires carriers to bring these rates to parity within two steps, by July, 2013. Ultimately, carriers are required to reduce their termination (and for some carriers also transport) rates to bill-and-keep over a transition period. The transition period for price cap carriers and CLECs who benchmark to price cap carrier rates is six years. The transition period for rate-of-return carriers and CLECs (that benchmark to rate-of-return carriers) is nine years.[3]

The *USF/ICC Transformation Order* permits incumbent telephone companies to charge a limited monthly Access Recovery Charge ("ARC") on wireline telephone service to recover a portion of the lost intercarrier compensation revenue resulting from the *Order*. However, in defining how much of their lost revenues carriers will have the opportunity to recover, the FCC rejected revenue neutrality. The *USF/ICC Transformation Order* permits an ARC, with a maximum annual increase of $0.50 for consumers and small businesses, and $1.00 per line for multiline businesses, to partially offset ICC revenue declines. For residential and single line businesses, the ARC for price cap carriers can increase by no more than $.50 per year up to $2.50.[4] For residential and single line businesses, the ARC for rate-of-return carriers can increase by no more than $.50 per year up to $3.00. The *USF/ICC Transformation Order* adopts

[3] *Id.*, ¶801.
[4] *Id.*, ¶¶852, 908.

a ceiling that prevents a carrier from assessing any ARC for consumers whose total monthly rate for local telephone service, inclusive of various rate-related fees, is at or above $30.[5] Carriers cannot charge a multi-line business customer an ARC when doing so would result in the ARC plus the existing SLC exceeding $12.20 per line.[6] The ARC will be calculated separately and likely combined with the Subscriber Line Charge for billing purposes.

In the FNPRM accompanying the *USF/ICC Transformation Order*, the FCC seeks comment on the appropriate transition of originating access rate reductions.[7] The FCC seeks comment on what, if any, recovery would be appropriate for originating access and how such recovery should be implemented.[8] The FCC also seeks comment on the appropriate transition for tandem switching and transport charges, and the need for any additional recovery mechanisms.[9]

II. DISCUSSION

The *USF/ICC Transformation Order* potentially impacts both the timing and the substance of this proceeding in that it takes certain reform steps that were contemplated in Staff's Plan. The *USF/ICC Transformation Order* reduces intrastate terminating access and transport rates to parity with interstate rates, thus appearing to be much like the Staff Plan. However, the *USF/ICC Transformation Order* does not address originating access rates and does not purport to achieve revenue neutrality as contemplated by S.B. 162. Thus, the *Order,* as it currently stands, does not eliminate the need for action by PUCO and certainly does not eliminate the need for an ARF as contemplated by the Staff Plan.

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[5] *Id.*, ¶¶852, 913.
[6] *Id.*, ¶¶852, 909.
[7] *Id.*, ¶1299.
[8] *Id.*, ¶1301.
[9] Id., ¶1308.

Until the FCC addresses originating access charges through its FNPRM, however, it is simply too early to determine precisely what impact the FCC's actions will have on this proceeding. In addition, not only is the FCC still seeking comment through the FNPRM regarding the remaining rate elements to be addressed, many carriers within the industry have filed numerous court appeals, Petitions for Reconsideration, and Requests for Waivers regarding certain aspects of the *USF/ICC Transformation Order,* creating additional uncertainty. Therefore, the logical and prudent course for PUCO to take is to move forward with this proceeding once the FCC addresses the industry comments filed in the FNPRM and some of the current uncertainty regarding the *USF/ICC Transformation Order* is clarified. At that point, it will be possible to determine what modifications, if any, to the Staff Plan make sense and to move forward with this docket. There are many moving parts to the *USF/ICC Transformation Order*; action on the part of PUCO to implement the Staff Plan prior to the FCC completing its work may complicate implementation of the *USF/ICC Transformation Order* and may result in unintended harm to Ohio consumers.

To be clear, CenturyLink's statements herein should not be interpreted as abdicating the policy objectives inherent in Staff's proposals. Staff has correctly and comprehensively developed switched access reform that: (a) recognizes and makes explicit universal service policy through the creation of a state fund, the ARF; and (b) seeks to implement viable local rate levels for telecommunications service. The delicate balancing of interests and objectives to do what is right for Ohio consumers now requires tempered action by PUCO. Thus, CenturyLink supports such PUCO action and endorses eventually moving forward in this docket in a manner that best enables PUCO to harmonize the activity occurring at the federal level to ensure that Ohio consumers ultimately benefit as Staff's proposal envisions. The question arising at this juncture is truly one of timing; substantively, doing what's best for Ohio consumers, as Staff's proposal effectuates, has not changed. In due course, PUCO can proceed in this docket by gathering additional comments and reply comments once greater certainty at the federal level is known.

III. CONCLUSION

CenturyLink thanks PUCO for the opportunity to present additional supplemental comments. For the above mentioned reasons, CenturyLink believes that it would be appropriate to move forward with this proceeding when there is more clarity as to what action, if any, the FCC takes with respect to the switched access rate elements that the FCC has not yet addressed.

Respectfully submitted,

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